

Prepared for
Housatonic Community College

Federal Student Aid
AN OFFICE of the U.S. DEPARTMENT of EDUCATION

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Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division-New York/Boston

Program Review Report

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Appendix A: Student Sample

Housatonic Community College
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A. Institutional Information

900 Lafayette Boulevard
Bridgeport, CT 06604-4704

Type: Public

Highest Level of Offering: Associate's Degree

Accrediting Agency: New England Association of Schools and Colleges – CHE (Higher Educ)

Current Student Enrollment (per school for fall 2013): 5,813

% of Students Receiving Title IV (per school for fall 2013): 45.1%

Title IV Participation (from PC Net):

	2012-2013 AY
Federal Pell Grant Program (Pell)	\$10,217,992.00
William D. Ford Federal Direct Loan Program (Direct Loan)	\$ 1,576,214.00
Federal Supplemental Educational Opportunity Grant (FSEOG)	\$ 136,060.00
Federal Work Study (FWS)	\$ 131,613.00

Default Rate Direct Loan:	2011:	11.1%
	2010:	9.3%
	2009:	5.8%

B. Scope of Review

The U.S. Department of Education (Department) conducted a program review at Housatonic Community College (HCC) from December 9, 2013 to December 13, 2013. The review was conducted by Shari Mecca and Frank Reyes.

The focus of the review was to determine HCC's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of HCC's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 15 files was identified for review from the 2012/2013 and 2013/2014 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. In addition, 10 files were selected based on a review of HCC's recipient data spreadsheet in which the student received a Federal Supplemental Educational Opportunity Grant (FSEOG) without receiving a Federal Pell Grant. This particular issue has been a repeat audit finding at the institution. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning HCC's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve HCC of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

This report reflects initial findings. These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination letter.

C. Findings

During the review, several areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by HCC bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1: Failure to Confirm Enrollment Status

Citation: If a student does not begin attendance in a payment period or period of enrollment, the institution must return all Title IV, HEA program funds that were credited to the student's account at the institution or disbursed directly to that student for that payment period or period of enrollment. 34 C.F.R. §668.21(a)

The withdrawal date for a student who ceases attendance at an institution that is not required to take attendance without providing official notification to the institution, in writing or orally, of his or her intent to withdraw, is the midpoint of the payment period or the period of enrollment. 34 C.F.R. §668.22 (c)(1)(iii)

Additional guidance provided in the 2012-2013 and 2013-2014 Federal Student Aid Handbooks Volume 5, Chapter 1, pages 56-57 explains that if a student who began attendance and has not officially withdrawn fails to earn a passing grade in at least one course offered over an entire period, the institution must assume, for Title IV purposes, that the student has unofficially withdrawn, unless the institution can document that the student completed the period.

If the student did not begin the institution's withdrawal process or otherwise provide official notification to the institution of his or her intent to withdraw because of illness, accident, grievous personal loss, or other such circumstances beyond the student's control, the date that the institution determines is related to that circumstance is the student's withdrawal date. 34 C.F.R. §668.22(c)(1)(iv)(C)

An institution may disburse Title IV, HEA program funds to a student or parent for a payment period only if the student is enrolled for classes for that payment period and is eligible to receive those funds. 34 C.F.R. §668.164(b)(3)

Noncompliance: Out of the sample, **Students 5, 7, 8, and 15** had all non-passing grades for a term. Prior to disbursing Title IV funds, an institution must ensure that the student is attending class and entitled to Title IV funds that are set to be disbursed. The institution does have an add/drop period and does not disburse funds until after that add/drop period is over, but does not require professors to provide census data information that could help determine those students that were no shows. The add/drop census data only includes those students that officially withdrew or dropped some of the classes.

Per pages 20-21 of HCC's 2013-2014 catalog, an N grade is given when there is no grade reported at the end of the semester (i.e., no grade received from a faculty member, courses in progress, or no basis for a grade). A "W" is used for students who formally withdraw from a course. The "F" grade would indicate a student's performance in terms of the quantity and the quality of work performance.

For the third semester in a row, **Student 5** received all non-passing grades. In the third semester, the student officially withdrew from one class and received N grades in her other two classes. The professor for (b)(6) stated that the student attended about 6 classes and completed 2 of 6 assignments. The professor stated that the student did not complete all of the assignments to warrant a grade and based on her low attendance and inadequate work performance, the student received an "N" grade. The professor for (b)(6) stated that the student did come to class for a good part of the semester but she never completed her last assignments that were required, and never officially withdrew or contacted the professor. Based on the statements of the two professors, the student would have been considered enrolled half-time, thus was eligible for her student loan disbursements. While this review only looked at the fall 2012 semester in terms of zero passing grades, HCC should have been aware of the history of this student regarding the previous two semesters of zero passing grades.

Student 7 received all non-passing grades for the fall 2012 semester. She received two "N" grades and two "F" grades. She was enrolled in a computer-based self-paced class (b)(6) and the professor stated that she only attended class on the first day and never did any work. The professor referred her name to the counseling office but the student never officially withdrew from the class, therefore, the student received an "F" grade. In another class (b)(6) the professor gave the student an "N" grade but stated that she attended four of the first five classes, missed the next seven classes, and then came to the next five classes. Therefore, she attended nine of 17 classes. The professor for (b)(6) stated the student never attended any classes and was given an "N" grade. The professor for (b)(6) provided a copy of the assignment book which showed the student showed up for the first eight classes but did not receive any grades thus received an "F" grade.

Student 8 received all non-passing grades for the spring 2013 semester. She received an "I", "N" and an "F" in her three classes. The registrar has not been able to provide confirmation of attendance in any of these classes. In addition, at HCC, a professor is supposed to turn in notification of incompletes which the registrar did not have on file for this student.

Student 15 received all non-passing grades for the spring 2013 semester. She received two "N" grades and two "F" grades. She was enrolled in an online class (b)(6) in which out of 15 required discussion questions, she answered 3, and out of 13 required journal entries she submitted 5. She did not complete any of the other assignments which accounted for 80% of her grade. The professor stated that discussion questions and journal entries are 20% of the student's grade; therefore, the student only completed approximately 2% of the required work and was given an "N" grade. The student was also enrolled in another online class (b)(6) in which she earned 33 out of a possible 1000 points for the semester, thus earned an "F" grade. The student was enrolled in a third online class (b)(6) in which Blackboard shows that she never logged in or submitted any work, thus earning the "N" grade. There was no documentation provided for (b)(6) in which the student received an F grade.

It appears the institution does not consistently apply its policy for the usage of N grades versus F grades.

Required Action: The review team found that HCC's procedures to monitor student enrollment statuses for purposes of determining Title IV eligibility is not adequate for students who unofficially stop attending an academic term. The reviewers were unable to determine the enrollment status for students who received a grade point average of 0 for the term. Although HCC is an institution that is not required to take attendance, it must have a process in place to determine whether any student who failed to receive any passing grades during a term established eligibility for the Title IV funds disbursed to the student during the period. If an institution does not have an adequate system to determine whether students actually began enrollment in any classes in a term, it cannot assume that a student attended through the midpoint of the term, as prescribed at 668.22(c), if it subsequently identifies that the student did not complete that term.

Failure to confirm a student's actual enrollment status in a term may result in a student receiving funds for periods of non-enrollment, or receiving funds based on an incorrect enrollment status. Failure to properly document a student's withdrawal date at an institution may result in the institution keeping more Title IV funds than it is entitled to, thereby creating an increased expense to the Department.

In addition, the school does use a census date for add/drop courses, but does not obtain information from the professors as to students that have never shown up for class. Therefore, this census date only identifies up those students who have officially added or dropped courses.

HCC is required to do a full file review of all students who received a non-passing grade in the following semesters: fall 2012, spring 2013, summer 2013, and fall 2013. If attendance cannot be confirmed for any class, then the Title IV funds paid to the student for the semester become an institutional liability. If HCC is able to document that the student attended some but not all of the courses, then an adjustment to the Title IV funds disbursed may be necessary. For students who are documented to have started class and stopped attending unofficially, HCC may use as the withdrawal date the midpoint of the payment period or period of enrollment, or a documented last date of attendance in an academically related activity and calculate the return to Title IV funds using that date.

The results of this file review must be provided in a spreadsheet that includes the following information.

1. Student's name
2. SSN
3. Semester with the non-passing grades
4. Date student began attendance (if there is no documentation that the student began classes, then report "N/A")
5. Original Enrollment Status
6. Revised Enrollment Status
7. Student's Withdrawal Date
8. Original amount awarded (broken out by Title IV program)
9. Original disbursement date (broken out by Title IV program)
10. Correct amount awarded (broken out by Title IV program)
11. Original amount returned, if any (broken out by Title IV program)
12. Original date returned
13. Remaining amount to be returned (broken out by Title IV program)

This spreadsheet will need to be submitted with HCC's response to the program review report. HCC must retain the documentation used to compile the results of the file review for further review by the Department. Any changes to a student's last date of attendance as a result of this file review must be reported to NSLDS.

Instructions for repayment of any liabilities will be provided in the Final Program Review Determination (FPRD) Letter.

HCC must also develop procedures to confirm a student's enrollment status that includes a process to document that a student had actually begun classes prior to disbursement of Title IV funds. A copy of those procedures must be provided with the response to the program review report. HCC may want to look at using the add/drop period as a way for teachers to notify the registrar whether or not a student had begun classes.

Finding 2: Failure to Properly Award William D. Ford Federal Direct Loans

Citation: A student is eligible to receive a Subsidized Loan, an Unsubsidized Loan, or a combination of these loans, if the student is enrolled, or accepted for enrollment, on at least a half-time basis in a school that participates in the Title IV Loan Programs. The student must also meet the requirements for an eligible student under 34 C.F.R. part 668. In the case of an undergraduate student who seeks a Subsidized Loan or an Unsubsidized Loan at a school that participates in the Federal Pell Grant Program, the student has received a determination of Federal Pell Grant eligibility for the period of enrollment for which the loan is sought. 34 C.F.R. §685.200

The maximum annual loan limits for the Stafford loan program are found in 34 C.F.R. §685.203.

The school agrees to estimate the need of each eligible student as required by Part F of the Act for an academic year. In addition, the school agrees to certify that the amount of the loan for any student under Part D of the Act is not in excess of the annual limit applicable for that loan program and that the amount of the loan, in combination with previous loans received by the borrower, is not in excess of the aggregate limit for the loan program. To qualify for benefits on a Stafford loan, a borrower must demonstrate financial need in accordance with Part F of the Act. 34 C.F.R. §685.300(b)

A school shall certify that the information it provides in connection with a loan application about the borrower and, in the case of a parent borrower, the student for whom the loan is intended, is complete and accurate. The school shall provide borrower information that includes, but is not limited to:

1. The borrower's eligibility for a loan, as determined in accordance with 34 C.F.R. §685.200 and 34 C.F.R. §685.203;
2. The student's loan amount; and
3. The anticipated and actual disbursement date or dates and disbursement amounts of the loan proceeds.

34 C.F.R. §685.301(a)

Noncompliance: HCC did not properly award a subsidized loan to a student who had remaining need. **Student 5's** Cost of Attendance (COA) was \$16,398.00 and she had an Estimated Family Contribution (EFC) of 6,601 which left her with remaining need of \$9,797.00. The student also was disbursed \$2,000.00 in Housatonic CC grant funds which still left her with need of \$7,797.00. Although the student did have remaining need, HCC awarded and disbursed unsubsidized loan funds instead of subsidized loan funds.

Required Action: Upon notification of this issue, HCC reallocated the student's loan funds from unsubsidized to subsidized. The reallocation process was completed on the student's account card on January 9, 2014 and in COD on January 15, 2014. HCC has made changes to its application for Federal Direct Loans which should help to ensure this error does not occur in the future. This was an isolated instance; therefore, no further action is required.

Finding 3: Improper Federal Supplemental Educational Opportunity Grant (FSEOG) Disbursements

Citation: An institution shall select those students with the lowest EFC who will also receive a Federal Pell Grant in that year to award FSEOG funds. If there are FSEOG funds remaining after awarding funds to all Federal Pell Grant recipients, the institution shall award FSEOG funds to those eligible students with the lowest EFC who will not receive a Federal Pell Grant. 34 C.F.R. §676.10(a)

Noncompliance: HCC's Banner system places a hold on Pell Grant and Direct Loan disbursements when the institution is awaiting additional information from the student, or awaiting changes to the ISIR, but the hold is not applied to FSEOG disbursements. Therefore, FSEOG disbursements are sometimes made to students whose Pell Grant eligibility has not been established due to incomplete information.

If Pell Grant disbursements are not able to be disbursed for any reason, FSEOG disbursements should be coded the same way to prevent those disbursements from being made. Since this is not happening in the Banner system, the FSEOG is disbursed and the financial aid office has to do a manual process to remove the FSEOG disbursements that are ineligible. It is unclear why the Banner system would properly hold Pell Grant and Direct Loan disbursements due to incomplete financial aid information, but would improperly allow FSEOG funds to disburse. Based on conversations with the financial aid staff, it appears Federal Work Study would also be disbursed, thus it appears to affect the Campus-Based Title IV programs as well.

HCC has been cited for this issue in the fiscal year ended June 30, 2010, June 30, 2011, and June 30, 2012 audits. The fiscal year ending June 30, 2013 audit has not yet been submitted to the Department for review.

The Department pulled all 10 student files in which HCC's recipient data spreadsheet indicated that Pell had not been disbursed, but where the student received FSEOG disbursements. That review indicated the following:

Student 31: The student was initially awarded Pell Grant and FSEOG funds but due to issues with the student's ISIR, the Pell was not disbursed. The FSEOG was originally disbursed on October 7, 2013 and then refunded on November 19, 2013 due to the manual review the financial aid office performs. The Pell Grant was disbursed on January 8, 2014 but the FSEOG funds have not been re-disbursed.

Student 32: The student was awarded Pell Grant and FSEOG funds but the Pell Grant was reversed on October 3, 2013 due to issues with the student's ISIR. Banner automatically reversed the Pell Grant but did not automatically reverse the FSEOG disbursement. The FSEOG was reversed manually by the financial aid office on October 22, 2013. Per HCC, the student was on academic warning and was eligible for aid for the fall 2013 semester; therefore the Pell Grant was re-disbursed on December 16, 2013. Although the Pell Grant was re-disbursed, the SEOG was not also re-disbursed. HCC indicated that the student will be re-evaluated after the fall 2013 grades are posted.

Student 33: The student was awarded Pell Grant and FSEOG funds but the Pell Grant was not disbursed due to corrections needed to her ISIR regarding her high school (HS) information. Since this information had not been updated at the time of the review, her Pell Grant was not disbursed, thus the FSEOG should also not have disbursed. The FSEOG was disbursed on September 16, 2013. Subsequent to the onsite program review, the FSEOG was reversed on December 17, 2013. The student will be eligible for the Pell Grant and FSEOG once the required corrections to her ISIR have been made.

Student 34: The student was awarded Pell Grant and FSEOG funds but the Pell Grant was reversed on October 2, 2013 due to issues with the student's ISIR. Banner automatically reversed the Pell Grant but did not automatically reverse the FSEOG disbursement. The FSEOG funds were not reversed until December 11, 2013.

Student 35: The student was awarded Pell Grant and FSEOG funds but the Pell Grant had not been disbursed at the time of the on-site review. The FSEOG funds had been disbursed even though the Pell was not disbursed due to ISIR data issues. At the time of the on-site review, the FSEOG funds had not yet been reversed. Subsequent to the on-site visit, HCC disbursed the Pell Grant and reversed the FSEOG funds on December 18, 2013. The re-disbursement of FSEOG funds did not occur until January 21, 2014.

Student 36: The student was awarded Pell Grant and FSEOG funds but the Pell Grant had not been disbursed at the time of the review. The FSEOG funds were disbursed on September 30, 2013. The Pell Grant had not been disbursed due ISIR data issues. At the time of the on-site review, the FSEOG funds had not yet been reversed. Subsequent to the on-site visit, HCC disbursed the Pell Grant on December 18, 2013, thus making the student eligible for the FSEOG disbursement.

Student 37: The student was awarded Pell Grant and FSEOG funds. The Pell Grant was disbursed on September 18, 2013 and refunded on September 25, 2013 due to ISIR data issues. The Pell Grant was then disbursed again on September 30, 2013 but reversed again on September 30, 2013. The FSEOG was disbursed on September 16, 2013. Since the Pell Grant was reversed due to issues with the student's ISIR, the FSEOG funds should have also been reversed. Subsequent to the on-site visit, the student became eligible for the Pell Grant and the funds were re-disbursed on December 13, 2013, thus making the student eligible for the FSEOG disbursement.

Student 38: The student was awarded Pell Grant and FSEOG funds, but the Pell Grant had not been disbursed due to corrections needed to the ISIR regarding her HS information. Since the Pell was not disbursed yet, the FSEOG funds should not have been disbursed on September 16, 2013. The FSEOG funds were reversed on December 18, 2013.

Student 39: The student was awarded and disbursed Pell Grant and FSEOG funds. The Pell Grant was reversed on October 18, 2013, yet the FSEOG funds were not also reversed at that time. The Pell Grant was disbursed again on November 6, 2013, thus the student regained his eligibility for the FSEOG disbursement.

Student 40: The student was awarded Pell Grant and FSEOG funds but the Pell Grant had not been disbursed due to corrections needed to the ISIR regarding HS information. Since the Pell Grant was not disbursed yet, the FSEOG funds should not have been disbursed on October 7, 2013. The disbursement of the Pell Grant finally occurred on December 13, 2013 at which time the student also became eligible for the FSEOG funds that were previously disbursed.

Required Action: This appears to be a system issue that has not been addressed by the system office and that may affect other community colleges. Housatonic has put a manual process in place, but it appears that the manual process was not effective in catching all of the situations that may occur. Because the process is working electronically for the Direct Loan and the Pell Grant disbursements, it is unclear why HCC or the system office has not been able to automate this process. If Direct Loan and Pell Grant funds are not eligible for disbursement, or are reversed automatically due to determination of ineligibility, then the same process should be in place for other Title IV programs such as the FSEOG program. The reliance on a manual process for one Title IV program does not make for efficiency and accountability when the other programs are done through an automated process. In addition, the manual process has been found to be inefficient as indicated by the repeat audit findings the last several years, and the repeat of the finding in the program review report.

HCC must work with the system office to determine why the automated process that is in place for Direct Loans and Pell Grants is not in place for FSEOG disbursements. HCC must have procedures in place to ensure that FSEOG disbursements are not occurring when other Title IV disbursements are not allowed to be disbursed or when the disbursements are reversed. Details of these procedures must be provided with the response to this report along with information of what actions will take place at the system level to ensure these issues are corrected. If changes are not made systematically to address the deficiencies in the FSEOG disbursement process, HCC must create a more efficient manual process that will ensure that FSEOG disbursements are not made or are reversed timely when the Banner system indicates that Direct Loan or Pell Grants are not able to be disbursed.

The manual process was ineffective for **Students 31, 32 and 35**. Because the FSEOG disbursement process is manual, the re-issuance of the FSEOG disbursement for **Student 35** occurred 34 days after the re-disbursement of the Pell Grant. HCC must explain why the FSEOG disbursements were not re-disbursed for **Students 31 and 32** when the Pell Grants were re-disbursed. If the students are still eligible for the FSEOG funds, HCC must process the disbursements and provide documentation of the disbursement with the response to the program review report.

No further action is required for **Student 33, 34, 35, 36, 37, 38, 39 and 40**.

Finding 4: National Student Loan Data System (NSLDS) Reporting Deficiencies

Citation: A school shall, upon receipt of a student status confirmation report from the Secretary, complete and return that report to the Secretary within 30 days of receipt and, unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who: (1) enrolled at that school but has ceased to be enrolled on at least a half-time basis; (2) has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended; or (3) has changed his or her permanent address. 34 C.F.R. §685.309(b)(2)

The 2012-2013 Federal Student Aid Handbook, Volume 2, Chapter 3, pages 45-46 and The 2013-2014 Federal Student Aid Handbook, Volume 2, Chapter 3, pages 47-48 state that all schools participating in the Title IV programs must have some arrangement to report student enrollment data to the NSLDS through a roster file. Not less than semiannually, NSLDS sends a roster file to the school that must certify the information and return the roster file within 30 days of receiving it. Schools are required to report changes in the student's enrollment status, the effective date of the status, and an anticipated completion date. Changes in enrollment to less than half-time, graduated, or withdrawn must be reported within 30 days. However, if a roster file is expected within 60 days, the school may provide the data on that roster file.

Appendix B: Enrollment Status Codes on page 237 of *The National Student Loan Data System Enrollment Reporting Guide* updated January 11, 2013, lists the applicable status codes that are to be used in enrollment reporting. The codes are as follows:

Code	Status	Definition	Date Used as Effective Date
A	Approved leave of absence	Student is currently enrolled at this school, but has a leave of absence approved in accordance with [34 CFR 668.22(d)(2)].	Date the student began an approved leave of absence.
D	Deceased	Student is deceased.	Date of death, if known; otherwise, the date the school was notified of the death by a reliable source.
F	Full-time	Student is enrolled full-time, according to the school's definition, in accordance with [34 CFR 668.2] or [34 CFR 682.200].	Date on which the student most recently began uninterrupted ¹ enrollment on a full-time basis.
G	Graduated	Student has completed the course of study and is not currently admitted to, nor enrolled in, a different course of study at this school.	Date the student completed the course requirements (not presentation date of the diploma or certificate).
H	Half-time or more, but less than full-time	Student is enrolled at least half-time, but less than full-time, according to this school's definition, in accordance with [34 CFR 682.200].	Date student dropped below full-time, or if half time is the original status, the date on which the student most recently began uninterrupted ¹ enrollment on a half time or more, but less than full-time basis.
L	Less than half-time	Student is enrolled less than half-time, according to this	Date student dropped below half time, or if less than half time is the

		school's definition, in accordance with [34 CFR 682.200].	original status, the date on which the student most recently began uninterrupted ¹ enrollment on a less than half-time basis.
W	Withdrawn (voluntary or involuntary)	Student has officially withdrawn from all courses at this school, stopped attending all classes at this school but did not officially withdraw, or for any reason did not re-enroll at this school for the next regular (non-summer) term without completing the course of study.	Date student officially withdraws or, in the absence of a formal withdrawal, the last recorded date of attendance. In the case of the student who completes a term and does not return for the next, leaving the course of study uncompleted, the final day of the term in which the student was last enrolled.
X	Never attended	Individual on whose behalf a loan was certified or awarded, who was admitted, may have enrolled (registered), but never attended classes at this school. (School <i>does</i> have a record of the individual.)	Report certification date, as recorded in the Submittal File Header record.
Z	No record found	Individual for whom a thorough search of the school's records reveals no information. (School <i>does not</i> have a record of the individual.)	Report certification date, as recorded in the Submittal File Header record.

¹ Students are considered to be in-school and continuously enrolled during academic year holiday and vacation periods, as well as during the summer between academic years (even if not enrolled in a summer session), as long as there is reason to believe that they intend to enroll for the next regularly scheduled term. For example, students should not be reported as "Withdrawn" at the end of the spring term if they are expected to re-enroll for the fall term. If they do not return as expected, status must be changed to "Withdrawn" within 30 days of that determination, or within 30 days of the start of the new term, whichever occurs first, with an effective date of the last date of attendance.

Noncompliance: The Department reviewed the entire sample of students to ensure past and current enrollment statuses have been accurately reported to NSLDS. HCC reports enrollment information to the National Student Clearinghouse (Clearinghouse) which reports the data to NSLDS. The following errors were noted:

Student 2's enrollment information was accurately reported through the spring 2013 semester. The student then registered for 9 credits for the fall 2013 semester on August 26, 2013 but dropped all of those classes on September 9, 2013 during the add/drop period. Since the student never began classes and dropped during the 50% refund period, HCC considers the student to never have been officially registered. When the 1st of term enrollment reporting was performed on September 12, 2013, the student was incorrectly reported with a status of less than half-time instead of a withdrawal status dating back to the end of the spring 2013 semester.

Student 6's enrollment information was accurately reported through the fall 2012 semester when she graduated on December 17, 2012. The student then registered for another course for the spring 2013 semester before withdrawing from the course on January 24, 2013 thus receiving a 100% refund. HCC considers students who withdraw during the 100% refund period to have never been officially registered. When enrollment reporting began for the spring 2013 semester, the student was reported as less than half-time effective January 25, 2013 with a withdrawn

status effective date of May 20, 2013. Based on HCC's policy, the student should never have been reported on the spring 2013 roster as the institution considers that the student never officially registered. Therefore, the last enrollment reporting for this student should reflect the student's graduated status of December 17, 2012.

While onsite, the reviewers and Registrar looked at a few more withdrawn students and found similar instances. The Registrar was unsure as to why these students were reported as less than half-time when the students dropped all of their classes either prior to classes beginning or during the add/drop period. The Registrar contacted the Clearinghouse and the Connecticut Community College System office to determine why the students would be reported as less than half-time when they were no longer enrolled at the institution. The programmer at the system office that was contacted stated that he thought the Clearinghouse's definition of withdrawal would mean that the student is given a W grade. In Banner, there are several different codes that could represent a student's withdrawal from all classes (i.e., codes for students who withdraw or drop during the 100% refund period, 50% refund period, and official withdrawals), yet it only appears that official withdrawals get sent to the Clearinghouse as a withdrawn status. These reporting issues appear to be systematic in nature and could be occurring throughout the whole State of Connecticut Community College System because the system office controls what parameters are set up in Banner for the entire Community College System.

Although **Student 16** did not receive any loans while in attendance at HCC, the institution is still required to report enrollment status information to NSLDS. As of January 24, 2014, NSLDS did not reflect the student's withdrawal date of October 24, 2013.

Required Action: HCC must work with the system office to determine why students that withdraw during the 100% and 50% refund periods are not properly reported to NSLDS as withdrawn students and why students enrolled for the first semester at HCC are reported as never attended. In addition, HCC must review and update the enrollment status for all students who withdrew during the 2012/2013 or 2013/2014 award years. Details of the affected students must be submitted to the Department with the response to the program review report and must include the student's name, social security number, original enrollment status reported to NSLDS and corrected enrollment status reported to NSLDS. The file review must also include the updates to the aforementioned students.

HCC must have procedures in place to ensure that NSLDS reflects accurate data and that student status changes are reported in a timely manner. Details of those procedures must be provided with the response to this report along with the details of what actions will take place at the system level to ensure these issues are corrected. If changes are not made to systematically address the deficiencies in the reporting process, HCC must create a manual process that will ensure the records for students are properly updated.

Finding 5: Failure to Document Exit Counseling for Direct Loan Borrowers

Citation: A school must ensure that exit counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan borrower shortly before the student borrower ceases at least half-time study at the school and that exit counseling must be in person, by audiovisual presentation, or by interactive electronic means. In each case, the school must ensure that an individual with expertise in the Title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions. If a student borrower withdraws from school without the school's prior knowledge or fails to complete the exit counseling as required, exit counseling must be provided either through interactive electronic means or by mailing written counseling materials to the student borrower at the student borrower's last known address within

30 days after the school learns that the student borrower has withdrawn from school or failed to complete the exit counseling as required.

The exit counseling must:

- Inform the student as to the average anticipated monthly repayment amount based on the student's indebtedness or on the average indebtedness of students who have obtained Subsidized, Unsubsidized, and PLUS loans for attendance at the institution or in the borrower's program of study;
- Review the available repayment plan options;
- Explain the options to prepay each loan or pay each loan on a shorter schedule and to change repayment plans;
- Provide information on the effects of loan consolidation;
- Include debt management strategies;
- Explain how to contact the party servicing the student's loans;
- Describe the likely consequences of default;
- Provide general description of terms and conditions under which a borrower may qualify for full or partial forgiveness or discharge;
- Review for the borrower the availability of the Student Loan Ombudsman's Office;
- Inform the borrower of the availability of Title IV information on the National Student Loan Data System (NSLDS);
- Describe generally the types of tax benefits that may be available; and
- Require the borrower to update demographic information.

The school must ensure that the demographic information is provided to the Secretary within 60 days after the student borrower provides the information. If exit counseling is conducted through interactive, electronic means, the institution must take reasonable steps to ensure that each student borrower receives the counseling materials, and participates in and completes the exit counseling. The institution must maintain documentation substantiating the institution's compliance with this section for each borrower. 34 C.F.R. §685.304(b)

Noncompliance: Exit counseling was not performed for **Students 5, 15, and 30**. **Student 5** last attended during the fall 2012 semester. **Student 15** last attended during the spring 2013 semester and **Student 30** withdrew from the fall 2013 semester on October 9, 2013.

Required Action: Upon notification of the finding, HCC sent the required exit counseling to **Students 15 and 30** on December 20, 2013. The exit counseling for **Student 5** was sent on January 24, 2014. Therefore, no further action is required for these students.

The error rate for this finding was 100% as there were only 3 students in the original sample who had received loans and were no longer in attendance at HCC. Therefore, HCC is required to conduct a full file review to ensure that HCC has performed the required exit counseling for all students who received Direct loans who are no longer attending the institution. This includes students who have graduated, officially withdrew, unofficially withdrew, or did not return for the subsequent semester. Details of the file review must be provided with the response to the report and include the student's name, social security number, last date of attendance, and date the exit counseling was performed.

In addition, HCC must provide assurances that exit counseling is performed timely and that HCC is taking reasonable steps to ensure that each student receives the counseling materials and participates in and completes the exit counseling. HCC's current practice is to send exit counseling materials to students via their internal HCC email account. HCC should review the addresses to which the exit counseling is being sent to ensure the exit materials are sent to the most appropriate email address. If students are no longer enrolled at HCC it is likely that the

students will no longer be viewing their email address at HCC, thus not receiving the required information as to where to go to complete the electronic exit interview process. HCC must therefore review its policies to determine the best practice for exit counseling and consider revising procedures to send exit counseling materials to the student's last known home address or non-institutional email address. HCC must provide the revised procedures with the response to this report.

Finding 6: Common Origination and Disbursement (COD) System Reporting Deficiencies

Citation: An institution makes a disbursement of Title IV, HEA program funds on the date that the institution credits a student's account at the institution or pays a student or parent directly with funds received from the Department. 34 C.F.R. §668.164(a)

A school must submit the initial disbursement record for the loan to the Department no later than 30 days following the initial disbursement. The school must submit subsequent disbursement records, including adjustment and cancellation records, to the Department no later than 30 days following the date the disbursement, adjustment, or cancellation is made. 34 C.F.R. §685.301(e)

The Secretary accepts a student's payment data that is submitted in accordance with procedures established through publication in the Federal Register, and that contain information the Secretary considers to be accurate in light of other available information including that previously provided by the student and the institution. 34 C.F.R. §690.83(a)(2)

An institution shall report to the Secretary any change in enrollment status, cost of attendance, or other event or condition that causes a change in the amount of the Federal Pell Grant for which a student qualifies by submitting to the Secretary the student's Payment Data that discloses the basis and result of the change in the award for each student. Through publication in the Federal Register, the Secretary divides the award year into periods and establishes the deadlines by which the institution shall report changes occurring during each period. The institution shall submit the student's Payment Data reporting a change to the Secretary by the end of that reporting period that next follows the reporting period in which the change occurred. Also, an institution shall submit in accordance with deadline dates established by the Secretary, through publication in the Federal Register, other reports and information the Secretary requires in connection with the funds advanced to it and shall comply with the procedures the Secretary finds necessary to ensure that the reports are correct. 34 C.F.R. §§690.83(b)(1)(2)

The 2013-2014 COD Technical Reference, Volume II, Section 1, page 187, number 8 states that the disbursement date is always the date the cash was credited to the student's account or paid to the student directly. The disbursement date is not the transaction date of the adjustment to the disbursement. The 2013-2014 COD Technical Reference, Volume II, Section 1, page 187, number 9 states that schools must submit adjustments to actual disbursements within 15 days of the transaction date.

The Federal Register published on February 28, 2013 and the Electronic Announcement published on March 15, 2013 specifies for disbursements or adjustments to previously made disbursements made on or after April 1, 2013, an institution must submit the disbursement record to COD no later than 15 days after making the disbursement or becoming aware of the need to adjust a student's previously reported disbursement.

Noncompliance: HCC did not update COD with the actual dates that the Title IV funds were posted to student accounts in the 2012/2013 award year. The reporting of the disbursements were within the required 30 days, but several disbursement dates were reported to COD as one day earlier than the date showing on the student's account ledger. For disbursements made on

or after April 1, 2013, this information must be submitted within 15 days of making the disbursement or within 15 days of any adjustment to the disbursement.

COD must reflect the actual date students had access to the funds (the date the funds posted to student accounts), because, for unsubsidized loans, interest begins to accrue at the time of disbursement. By not updating the dates to the actual dates, students could be paying interest on money that they have not yet received. As this was found in a majority of the sample for the 2012/2013 award year, only a few examples have been listed below. There were some instances of non-compliance in 2013/2014 as well, but for the majority of students in our sample from that award year, a disbursement date adjustment was made in COD.

Student 1: COD reflects Pell disbursements on September 20, 2012, February 19, 2013, and July 22, 2013 yet the student's account card lists the Pell disbursements as September 21, 2012, February 20, 2013, and July 23, 2013. A "SUB DISB DEBIT ADJ" occurred on July 26, 2013 that changed the 3rd disbursement date to July 23, 2013.

Students 2, 3, 8, 11, 12, 14, 15: COD reflects Pell disbursements on September 20, 2012 and February 19, 2013 yet the students' account cards list the Pell disbursements as September 21, 2012 and February 20, 2013.

Student 4, 9: COD reflects a Pell disbursement on February 19, 2013 yet the students' account cards list the Pell disbursement as occurring on February 20, 2013.

Student 6, 7, 10, 13: COD reflects a Pell disbursement on September 20, 2012 yet the students' account cards list the Pell disbursement as occurring on September 21, 2012.

During the onsite review it was found that **Student 18's** loans had not yet been disbursed. Upon notification of this finding, HCC disbursed both the subsidized and unsubsidized loan in two disbursements on December 12, 2013. While this information was reported to COD on January 15, 2014, it was reported with the original disbursement dates of September 16, 2013 and October 16, 2013, not the actual disbursement date of December 12, 2013.

Student 28's account card reflects that a second disbursement of Pell Grant funds in the amount of \$1,411.50 occurred on September 30, 2013. COD is reflecting that this disbursement occurred on September 18, 2013, which matches the date of the first disbursement.

The reversal of the Pell Grant disbursement for **Student 32** was not reported to COD until December 12, 2013 although the reversal occurred on October 3, 2013. In addition, **Student 32's** loan disbursements that were made on December 12, 2013 per the student's account card are not reflected as disbursed in COD. The disbursements are still reflected as pending in COD. In addition, although the student's initial Pell disbursement was made on September 18, 2013, this disbursement was subsequently refunded on October 3, 2013. A subsequent disbursement of Pell Grant funds was made on December 16, 2013, yet in COD, the disbursement is still reflected as September 18, 2013.

The reversal of the Pell Grant disbursement for **Student 34** was not reported to COD until December 12, 2013 although the reversal occurred on October 2, 2013.

Student 37's initial Pell disbursement was made on September 18, 2013, but this disbursement was subsequently refunded on September 25, 2013. A subsequent disbursement of Pell Grant funds was made on December 13, 2013, yet in COD, the disbursement is still reflected as September 18, 2013.

For the 2013/2014 sample, it was noted that a "SUB DISB DEBIT ADJ" was made in COD to update the disbursement date to match the disbursement date on the account card.

Required Action: Since the discrepancies in dates for the 2012/2013 award year were minimal (one day) and were for the Pell Grant program, and the problem with the reporting was been corrected for the 2013/2014 award year, no specific action is required for the students in the 2012/2013 sample.

HCC is required to update the disbursement dates for **Student 18's** loans, **Student 28's** Pell Grant, and **Student 37's** Pell Grant. A copy of COD showing of the update information must be provided with the response to the program review report.

HCC must explain why the reversal of the Pell Grant disbursements for **Students 32 and 34** did not occur timely and provide the explanation to the Department with the response to the program review report.

For **Student 32**, HCC must immediately notify COD of the actual disbursement dates for the Direct Loan disbursements, and update the Pell Grant disbursement to reflect the date the student received the disbursement, which was December 16, 2013. Copies of the COD screens showing that the disbursement dates have been updated must be provided with the response to the program review report.

It appears that there is a system issue in the reporting of the re-issued disbursements to COD in that the original disbursement date is retained, instead of the new disbursement date being reported. The disbursement date should always be reported as the date the cash was credited to the student's account or paid to the student directly. In the cases noted in the finding, the date reported should be the later date. HCC must work with the system office to ensure the appropriate dates are being reported.

HCC is required to update its policies and procedures to ensure that COD will be updated with actual disbursement dates as reflected on the students' account ledgers within 15 days of the disbursement occurring as per the *Federal Register* dated February 28, 2013. In addition, any adjustments to disbursements must also occur within 15 days of the adjustment occurring on the student's account card. A copy of these updated policies and procedures must be provided with the response to the program review report.

Finding 7: Central Processing System (CPS) Transaction Number Reporting Deficiencies

Citation: If, after verification, an institution determines that changes to an applicant's information will not change the amount the applicant would receive under a Title IV, HEA program, the institution –

- i. Must ensure corrections are made in accordance with 34 C.F.R. §668.59(a); and
- ii. May prior to receiving the corrected valid SAR or valid ISIR –
 - A. Make one disbursement from each of the Federal Pell Grant, or FSEOG Program funds for the applicant's first payment period of the award year;
 - B. Employ or allow an employer to employ the applicant, once he or she is an eligible student, under the FWS Program for the first 60 consecutive days after the student's enrollment in that award year; or
 - C. Originate the Direct Subsidized Loan and disburse the loan proceeds for the applicant.

34 C.F.R. §668.58

The 2013-2014 Application and Verification Guide, Volume 4, page 86, states that interim disbursements are allowed either prior to verification or after verification but before receiving the corrected SAR or ISIR. If you have no reason to question the accuracy of the information on the FAFSA, prior to completing verification you may at your discretion

1. make one disbursement of Pell, Perkins, and FSEOG funds for the applicant's first payment period,
2. permit FWS employment for the first 60 consecutive days after the student enrolls for the award year, or
3. originate but not disburse a Direct Subsidized Loan.

If verification results in changes to the FAFSA information that you determine will not alter award amounts, you may at your discretion take actions 1–3 as well as disburse a Direct Subsidized Loan prior to receiving the corrected valid SAR or ISIR.

The 2013-2014 COD Technical Reference, Volume II, Section 1, pages 65-66, states that the CPS Transaction Number is a required field on the Common Record for Pell Grant, TEACH Grant, and Direct Loan processing. *The 2013-2014 COD Technical Reference, Volume VI, Section 1, page 8* defines the CPS Transaction Number as a transaction number from an eligible ISIR that was used to calculate the award.

Noncompliance: For students that were selected for verification, if there were changes required to data elements, HCC processed the changes in CPS but marked the unverified ISIR as locked in the Banner system. When the corrected ISIR was received from CPS, it was not marked as the active ISIR for the student's Title IV aid. Therefore, the ISIR that was used to calculate the award was not reported to COD. Although an institution is allowed to process one disbursement prior to receiving the corrected ISIR, once the corrected ISIR is received it should be coded as the active ISIR and reported to COD appropriately. Based on the process the school followed, it appeared that the school awarded Title IV aid on an unverified ISIR.

Student 1 – ISIR transaction 2 was selected for verification and changes to the adjusted gross income were necessary which resulted in transaction 3 being generated. In both transactions, the student had a zero EFC. COD reflects ISIR transaction 2 as the active ISIR while ISIR transaction 3 is the ISIR that contains the verified data.

Student 3 – ISIR transaction 1 was selected for verification and changes to the student's income earned from work were necessary. In addition, a change was made to state that the student's family received food stamp benefits. These changes resulted in transaction 2 being generated. In both transactions, the student had a zero EFC. COD reflects ISIR transaction 1 as the active ISIR while ISIR transaction 2 is the ISIR that contains the verified data.

Student 4 – ISIR transaction 2 was selected for verification and changes to the student's filing status, the parent's filing status, adjusted gross income, income taxes paid, exemptions, and mother's income from work were necessary. These changes resulted in transaction 3 being generated. In both transactions, the student had a zero EFC. COD reflects ISIR transaction 2 as the active ISIR while ISIR transaction 3 is the ISIR that contains the verified data.

Student 6 – ISIR transaction 2 was selected for verification and a change was made to state that the student's family did not receive food stamp benefits. The student checked off box D1 on the verification worksheet indicating that someone in the student's household received benefits from the Supplemental Nutrition Assistance Program (SNAP). When HCC verified transaction 2, it changed the answer for the food stamps question from a blank to a "no" as reflected in transaction 3. COD reflects ISIR transaction 2 as the active ISIR while ISIR transaction 3 is the

ISIR that contains the verified data, although the ISIR should have been changed to reflect a "yes" for food stamps. Either way the student's EFC would have remained zero.

Student 10 – ISIR transaction 2 was selected for verification and changes to the student's income from work were necessary. This change resulted in transaction 3 being generated. In both transactions, the student had a zero EFC. COD reflects ISIR transaction 2 as the active ISIR while ISIR transaction 3 is the ISIR that contains the verified data.

Student 16 – ISIR transaction 1 was selected for verification and changes to the student's number of family members were necessary. This change resulted in transaction 2 being generated. In both transactions, the student had a zero EFC. COD reflects ISIR transaction 1 as the active ISIR while ISIR transaction 2 is the ISIR that contains the verified data.

Student 19 – ISIR transaction 1 was selected for verification and changes to the student's adjusted gross income, income taxes paid, and the student's and spouse's income earned from work were necessary. These changes resulted in transaction 2 being generated. In both transactions, the student had a zero EFC. COD reflects ISIR transaction 1 as the active ISIR while ISIR transaction 2 is the ISIR that contains the verified data.

Student 25 – ISIR transaction 1 was selected for verification and changes to the spouse's income earned from work and student's educational credits were necessary. These changes resulted in transaction 2 being generated. ISIR transaction 1 had an EFC of 609 and transaction 2 had an EFC of 2160. While HCC awarded and disbursed properly based on the EFC of 2160 from transaction 2, COD reflects ISIR transaction 1 as the active ISIR while ISIR transaction 2 is the ISIR that contains the verified data.

Required Action: HCC must review all verified students for the 2012/2013 and 2013/2014 award years to ensure the appropriate ISIR transaction number is coded as the active ISIR which will then ensure that the proper ISIR is reported to CPS. Details of the affected students must be submitted to the Department with the response to the program review report and must include the student's name, social security number, original ISIR transaction number reported to CPS, and the corrected ISIR transaction number reported to NSLDS. The file review must also include the updates to the aforementioned students.

HCC must have procedures in place to ensure that the correct ISIR transaction number is reflected in the Banner system as active and then is reported to CPS. Details of those procedures must be provided with the response to this report.

Finding 8: Failure to Resolve C-Code Prior to Disbursement

Citation: A student is eligible to receive Title IV, HEA program assistance if the student satisfies the program specific requirements contained in 34 C.F.R. §690.75 for the Federal Pell Grant program. 34 C.F.R. §668.32(k)(6)

In the 2013-2014 SAR Comment Codes and Text Guide, July Update, comment code 346 states that there is a limit to the total amount of Federal Pell Grants that a student may receive, which is the equivalent of 8 school years. Based on information reported to NSLDS by the schools the student has attended, the student has received a total amount of Pell Grants that is close to the cumulative total the student can receive. Therefore, the student's eligibility for additional Pell Grants may be limited. A school must resolve this error by checking NSLDS records to verify that the applicant is not exceeding the Pell lifetime eligibility.

The 2013-2014 Federal Student Aid Handbook, Volume 1, Chapter 6, page 68 states that all students may receive Pell Grants for up to 12 semesters, measured by percentage of Scheduled Awards(s) disbursed ("Lifetime Eligibility Used," or "LEU" field in COD up to 600%). This limitation is not limited to students who received their first Pell Grant on or after July 1, 2008, as was the previous limit of 18 semesters or equivalent. For more information on duration of Pell eligibility and LEU, see Volume 3, Chapter 3 of the FSA Handbook.

The 2013-2014 Federal Student Aid Handbook, Volume 3, Chapter 3, pages 62-63 details other requirements related to the Pell Grant lifetime eligibility. Specifically it states that students will fall into one of the four categories. Code "C" on the student's ISIR under Lifetime Limit Flag is for students whose LEU is greater than 500% but less than 600%. These students will not have full Pell eligibility for 2013-14, since their baseline LEU has less than 100% remaining.

Noncompliance: During the on-site review, it was noted that HCC originally awarded and disbursed Pell Grant funds to **Student 24** on September 18, 2013. On October 21, 2013 the Pell disbursement was reversed due to the institution receiving an additional ISIR transaction that had a C-Code because the student was close to the maximum Pell Grant LEU (comment code 346). At the time of the on-site review, it did not appear as though the C-Code was resolved. The reviewers asked HCC to review this student's account to determine if the C-Code was resolved and if the student was eligible for the Pell Grant disbursement. On January 10, 2014, HCC responded that the C-Code flag was resolved but that the student is now an unofficial withdrawal. Therefore, HCC re-disbursed the Pell Grant funds and then processed the applicable refund on January 16, 2014.

Required Action: No further action is required for **Student 24**.

HCC must revise its C-Code resolution procedures to ensure that when aid is reversed and the student later becomes eligible, that this information is well documented and the disbursements are processed in a timely manner.

Finding 9: Conflicting Information Regarding Citizenship Status

Citation: An institution is required to develop and apply an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to the student's application for financial aid under Title IV programs. 34 C.F.R. § 668.16(f)

Noncompliance: HCC did not resolve the conflicting information surrounding **Student 3's** citizenship status before awarding Title IV funds. The student's admissions application stated that he was a U.S. Citizen and this information was entered into the admissions area in HCC's Banner system. The student's ISIR reflected that he was an eligible non-citizen and this information was entered into the financial aid screens in the Banner system. The citizenship information on the admissions screens of the Banner system do not automatically carry over to the financial aid screens or vice versa, nor does the Banner system run a check to determine if there is conflicting information between the different screens of the system.

Required Action: There is no further action required for this student. Subsequent to the onsite review, HCC contacted the student and provided the Department with a copy of his certificate of citizenship that showed the student applied for citizenship on September 26, 2008 and the certificate of citizenship was issued on October 31, 2013. Therefore, the information on the 2012/2013 ISIR was accurate. HCC must develop procedures to ensure that information received and documented on the admissions screens agree with information collected from the

student on the financial aid screens. Details of these procedures must be submitted with the response to the program review report.

D. Recommendation

It was noted that **Student 12** received \$1,000.00 in an outside award from the Carver Foundation. When the bursar's office received the payment it was posted to the student's account but the financial aid office was not notified of the payment so that it could be added to the resource area in the financial aid system to ensure that the student was not over awarded Title IV aid. Since **Student 12** was not over awarded, this is not considered a finding but the Department recommends that a process be put in place to ensure that any outside scholarships or other financial awards be added to the resource information in the financial aid system to ensure that students are not over awarded Title IV funds. It is HCC's responsibility to ensure that all outside resources are considered in determining a student's financial aid package or in recalculating a student's financial aid package. When information is received by one office, it should be shared or entered appropriately into Banner so that the proper adjustments may be made.

Prepared for
Housatonic Community College

Federal Student

10 OFFICE BUILDING, DEPARTMENT OF EDUCATION

PROUD SPONSOR of
the AMERICAN MIND

OPE ID: 004513
PRCN: 201410128473

Prepared by
U.S. Department of Education
Federal Student Aid
School Participation Division-New York/Boston

Final Program Review Determination

March 27, 2015

New York/Boston School Participation Division
5 Post Office Square, 9th Floor, Suite 950-A, Boston, MA 02109-3921
StudentAid.gov

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A. Institutional Information

900 Lafayette Boulevard
Bridgeport, CT 06604-4704

Type: Public

Highest Level of Offering: Associate's Degree

Accrediting Agency: New England Association of Schools and Colleges – CHE (Higher Educ)

Current Student Enrollment (per school for fall 2013): 5,813

% of Students Receiving Title IV (per school for fall 2013): 45.1%

Title IV Participation (from PC Net):

	2012-2013 AY
Federal Pell Grant Program (Pell)	\$10,217,992.00
William D. Ford Federal Direct Loan Program (Direct Loan)	\$ 1,576,214.00
Federal Supplemental Educational Opportunity Grant (FSEOG)	\$ 136,060.00
Federal Work Study (FWS)	\$ 131,613.00

Default Rate Direct Loan:	2011:	11.1%
	2010:	9.3%
	2009:	5.8%

B. Scope of Review

The U.S. Department of Education (Department) conducted a program review at Housatonic Community College (HCC) from December 9, 2013 to December 13, 2013. The review was conducted by Shari Mecca and Frank Reyes.

The focus of the review was to determine HCC's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of HCC's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 15 files was identified for review from the 2012/2013 and 2013/2014 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. In addition, 10 files were selected based on a review of HCC's recipient data spreadsheet in which the student received a Federal Supplemental Educational Opportunity Grant (FSEOG) without receiving a Federal Pell Grant. This particular issue has been a repeat audit finding at the institution. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review. A program review report (PRR) was issued on March 7, 2014.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning HCC's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve HCC of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

C. Findings

During the review, several areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by HCC bring operations of the financial aid programs into compliance with the statutes and regulations.

Resolved Findings

Findings 2, 4, 5, 6, 7, 8, and 9

HCC has taken the corrective actions necessary to resolve **Findings 2, 4, 5, 6, 7, 8, and 9** of the program review report. Therefore, these findings may be considered closed. HCC's written response related to the resolved findings can be found in Appendices C - G. Findings requiring further action by HCC are discussed below.

Resolved Findings with Comments

The following program review findings have been resolved by the institution, and may be considered closed. These findings are included solely for the purpose of discussing resolutions of the finding.

Finding 3: Improper Federal Supplemental Educational Opportunity Grant (FSEOG) Disbursements

Noncompliance Summary:

An institution shall select those students with the lowest EFC who will also receive a Federal Pell Grant in that year to award FSEOG funds. If there are FSEOG funds remaining after awarding funds to all Federal Pell Grant recipients, the institution shall award FSEOG funds to those eligible students with the lowest EFC who will not receive a Federal Pell Grant. 34 C.F.R. § 676.10(a)

HCC's Banner system places a hold on Pell Grant and Direct Loan disbursements when the institution is awaiting additional information from the student, or awaiting changes to the ISIR, but the hold is not applied to FSEOG disbursements. Therefore, FSEOG disbursements are sometimes made to students whose Pell Grant eligibility has not been established due to incomplete information.

If Pell Grant disbursements are not able to be disbursed for any reason, FSEOG disbursements should be coded the same way to prevent those disbursements from being made. Since this is not happening in the Banner system, the FSEOG is disbursed and the financial aid office has to do a manual process to remove the FSEOG disbursements that are ineligible. It is unclear why the Banner system would properly hold Pell Grant and Direct Loan disbursements due to incomplete financial aid information, but would improperly allow FSEOG funds to disburse. Based on conversations with the financial aid staff, it appears Federal Work Study would also be disbursed, thus it appears to affect the Campus-Based Title IV programs as well.

HCC had been cited for this issue in the fiscal year ended June 30, 2010, June 30, 2011, and June 30, 2012 audits. The fiscal year ended June 30, 2013 audit had not been submitted to the Department for review at the time of the program review, but has since been received. HCC was not cited for this issue in the fiscal year ended June 30, 2013 audit.

The Department pulled an additional 10 student files (**Students 31 through 40**). These students were identified in HCC's recipient data spreadsheet as receiving FSEOG disbursements even though a Pell Grant had not yet been disbursed. The review found that **Students 31, 33, 35, 36, 38, and 40** were disbursed FSEOG funds without the disbursement of Pell Grant funds.

The review also found that **Students 32, 34, 37, and 39** were disbursed both Pell Grant and FSEOG funds but when the Pell Grants were reversed the FSEOG disbursements were not reversed.

This appears to be a system issue that has not been addressed by the system office and that may affect other community colleges. Housatonic has put a manual process in place, but it appears that the manual process was not effective in catching all of the situations that may occur. Because the process is working electronically for the Direct Loan and the Pell Grant disbursements, it is unclear why HCC or the system office has not been able to automate this process. If Direct Loan and Pell Grant funds are not eligible for disbursement, or are reversed automatically due to determination of ineligibility, then the same process should be in place for other Title IV programs such as for the FSEOG program. The reliance on a manual process for one Title IV program does not make for efficiency and accountability when the other programs are done through an automated process. In addition, the manual process has been found to be inefficient as indicated by the repeat audit findings the last several years, and the repeat of the finding in the program review report.

Directives from Program Review Report:

HCC was required to work with the system office to determine why the automated process that is in place for Direct Loans and Pell Grants is not in place for FSEOG disbursements. HCC was required to put procedures in place to ensure that FSEOG disbursements are not occurring when other Title IV disbursements are not allowed to be disbursed or when the disbursements are reversed. HCC was required to provide details of these procedures with the response to this report along with information of what actions will take place at the system level to ensure these issues are corrected. If changes are not made systematically to address the deficiencies in the FSEOG disbursement process, HCC was required to create a more efficient manual process that will ensure that FSEOG disbursements are not made or are reversed timely when the Banner system indicates that Direct Loan or Pell Grants are not able to be disbursed.

HCC was required to explain why the FSEOG disbursements were not re-disbursed for **Students 31 and 32** when the Pell Grants were re-disbursed. If the students were still eligible for the FSEOG funds, HCC was required to process the disbursements and provide documentation of the disbursement with the response to the program review report. HCC was not required to take any further action for **Students 33, 34, 35, 36, 37, 38, 39 and 40**.

Final Determination:

HCC contacted the Financial Aid Services Staff at the System Office in March 2014. The System Office responded by saying "Pell and DL are hard coded to be pulled back upon certain triggers raised from particular ISIR actions. Campus-based funds such as SEOG and FWS are not the same as Pell and DL, and they are not reportable through the COD system, which is why Banner does not operate in the way that the auditor is suggesting. You could incorporate rules into awarding and disbursing SEOG, however you would still have to monitor when to remove SEOG in accordance with regulations (i.e. when you see Pell was removed in your daily AM reports). Another good practice

may be to perform a monthly check against those students with a new ISIR record & Pell and SEOG funds. It will require detective work on your end."

In April 2014, the System Office also stated "We have made two updates to your FSEOG funds in light of auditor findings/requests. These changes have been implemented for 14/15.

1. RFRMGMT (Disbursement Tab)
 - a. If Ineligible Before Cutoff Date updated to "B=Backout Disbursements"
 - b. If Ineligible After Cutoff Date updated to "B=Backout Disbursements"
2. RORRULE (Fund Disbursement)
 - a. Added rule that requires a Pell to have been paid before SEOG will disburse to a student.

In combination, these rules will allow for FSEOG to be backed out if a student becomes ineligible along the course of the term, and also requires a student to have a Pell payment on their account prior to FSEOG ever being disbursed."

HCC has stated that it believes these changes will assist to ensure the proper management of the FSEOG awards. HCC still believes that frequent manual reviews will still be required to help ensure that FSEOG disbursements are not made or are reversed in a timely manner when the Banner system indicates that Direct Loan or Pell Grants are not able to be disbursed. HCC's manual process will include:

- HCC will only award FSEOG after the freeze/census date for each semester. This will be an awarding process conducted by manual manipulation of the Student Extract report followed by manual awarding of individual students.
 - FSEOG will be manually awarded first to eligible students with an estimated family contribution (EFC) of 0, in order from highest to lowest credits of enrollment for that semester.
 - Any FSEOG funds that remain for that semester will be manually awarded to eligible students with an EFC of 1 to 100, in order from highest to lowest credits of enrollment for that semester.
 - This manual process will continue until all funds are exhausted, proceeding from an EFC of 101 to 200, and 201 to 300, etc.
- HCC will continue to perform a manual review at least monthly of the FSEOG disbursements. This will involve checking each student on the report to determine whether any changes in eligibility should lead to the removal (or eventual restoration) of FSEOG funds. This is in addition to HCC's weekly checking of the disbursement report which may also illuminate eligible changes.

HCC stated that this will be a complex and time consuming manual process for the Financial Aid Office. Both the Director and Associate Director will be involved in this process along with the help of the Financial Aid Assistants, which will reduce the amount of time available to devote to other Financial Aid Office duties.

HCC has also re-disbursed the FSEOG funds for **Students 31 and 32.**

The Department is unclear why the System Office is stating that the automation of this process is contingent on the fact that Direct Loan and Pell are reported to the Common Origination and Disbursement system (COD) and that Federal Supplemental Educational Opportunity Grants and other campus-based programs such as Federal Work Study (FWS) are not reported to COD. The Department understands that FSEOG and other campus-based funds reporting requirements are not the same as Direct Loan and Pell, but the awarding and disbursing of funds to eligible students with a valid ISIR is still the same and there is no relationship to COD reporting. Any reporting requirements are, and should be separate from eligibility requirements. The Department is pleased that in April 2014, the System Office agreed to make some changes that should help to alleviate these errors from occurring in the future.

It also appears that the manual process that HCC has implemented, along with the System Office changes will help to ensure that this finding does not occur in future audits or program reviews. Since the changes to the automated process is effective for the 2014/2015 award year, the Department encourages HCC and the System Office to continue to work together to enhance the automated process.

HCC's response to this finding can be found in Appendix D. The Department has reviewed HCC's response and documentation submitted with the response. The information submitted is sufficient to resolve this finding with no liabilities. This finding is considered closed.

Findings with Final Determinations

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of HCC's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on March 7, 2014 is attached as Appendix C.

Finding 1: Failure to Confirm Enrollment Status

Noncompliance Summary:

An institution may disburse Title IV, HEA program funds to a student or parent for a payment period only if the student is enrolled for classes for that payment period and is eligible to receive those funds. 34 C.F.R. § 668.164(b)(3). If a student does not begin attendance in a payment period or period of enrollment, the institution must return all Title IV, HEA program funds that were credited to the student's account at the institution or disbursed directly to that student for that payment period or period of enrollment. 34 C.F.R. § 668.21(a).

If a student ceases attendance at an institution that is not required to take attendance without providing official notification to the institution, the withdrawal date is the later of the midpoint of the payment period or the period of enrollment, or the last date of attendance at an academically related activity. 34 C.F.R. §§ 668.22 (c)(1)(iii),(3). If a student who began attendance and has not officially withdrawn fails to earn a passing

grade in at least one course offered over an entire period, the institution must assume, for Title IV purposes, that the student has unofficially withdrawn, unless the institution can document that the student completed the payment period. See Dear Colleague Letter (DCL) Gen-04-03 (Revised).

Out of the sample, **Students 5, 7, 8, and 15** had all non-passing grades for a term. Prior to disbursing Title IV funds, an institution must ensure that the student is attending class and entitled to Title IV funds that are set to be disbursed. The institution does have an add/drop period and does not disburse funds until after that add/drop period is over. The institution, however, does not require professors to provide census data information that could help determine those students that were no shows. The add/drop census data only includes those students that officially withdrew or dropped some of the classes.

Per pages 20-21 of HCC's 2013-2014 catalog, an N grade is given when there is no grade reported at the end of the semester (i.e., no grade received from a faculty member, courses in progress, or no basis for a grade). A "W" is used for students who formally withdraw from a course. The "F" grade would indicate a student's performance in terms of the quantity and the quality of work performance. It appears the institution does not consistently apply its policy for the usage of N grades versus F grades.

The review team found that HCC's procedures to monitor student enrollment statuses for purposes of determining Title IV eligibility is not adequate for students who unofficially stop attending an academic term. The reviewers were unable to determine the enrollment status for students who received a grade point average of 0.00 for the term. Failure to confirm a student's actual enrollment status in a term may result in a student receiving funds for periods of non-enrollment, or receiving funds based on an incorrect enrollment status. Failure to properly document a student's withdrawal date at an institution may result in the institution keeping more Title IV funds than it is entitled to, thereby creating an increased expense to the Department.

Directives from Program Review Report:

HCC was required to conduct a full file review of all students who received all non-passing grades in each of the following semesters: Fall 2012, Spring 2013, Summer 2013, and Fall 2013. The institution was notified that if attendance could not be confirmed for any class, then the Title IV funds paid to the student for the semester become an institutional liability. If HCC was able to document that the student attended some but not all of the courses, then the institution had to determine if an adjustment to the Title IV funds disbursed was warranted. For students who are documented to have started class and stopped attending unofficially, HCC was directed to calculate the Return to Title IV funds and use as the withdrawal date the midpoint of the payment period or period of enrollment, or a documented last date of attendance in an academically related activity.

HCC was also required to develop procedures to confirm a student's enrollment status that includes a process to document that a student had actually begun classes prior to disbursement of Title IV funds. A copy of those procedures was to be provided with the

response to the program review report. It was also recommended that HCC look at using the add/drop period as a way for teachers to notify the registrar whether or not a student had begun classes.

Final Determination:

The administration at HCC has developed procedures to monitor student enrollment statuses for the purpose of determining financial aid eligibility. Specifically, as of the Fall 2014 semester, a process is in place which determines whether each student has actually begun enrollment in each of his or her classes. Additionally, HCC completed a full file review of students who received all non-passing grades in the Fall 2012, Spring 2013, Summer 2013, and the Fall 2013 semesters. HCC's response to this finding can be found in Appendix G.

After reviewing HCC's file review results, the following is due the Department for this finding:

2012/2013 Pell Grant Principal	\$276,642.91
2012/2013 Pell Grant Interest	\$ 3,328.17
2012/2013 FSEOG Principal (Federal Share Only)	\$ 1,350.00
2012/2013 FSEOG Interest	\$ 28.83
2012/2013 Direct Subsidized Loan Principal	\$ 9,658.00
2012/2013 Direct Unsubsidized Loan Principal	\$ 22,849.00
2012/2013 Direct Loan Interest	\$ 340.00
2013/2014 Pell Grant Principal	\$ 94,484.58
2013/2014 Pell Grant Interest	\$ 439.98
2013/2014 FSEOG Principal (Federal Share Only)	\$ 953.78
2013/2014 FSEOG Interest	\$ 4.39
2013/2014 Direct Subsidized Loan Principal	\$ 1,732.00
2013/2014 Direct Unsubsidized Loan Principal	\$ 6,311.00
2013/2014 Direct Loan Interest	\$ 32.00
Total	\$418,154.64

Details of this liability can be found in Appendices H – K.

Students cited in this finding (7 and 15) can also be found in Appendix B as liabilities have been assessed for these students. Appendix B assigns numbers to the additional students that have liabilities due.

D. Summary of Liabilities

The total amount calculated as liabilities from the findings in the program review determination is as follows.

Liabilities	Pell (Closed Award Year)	FSEOG	DL	
Finding 1	\$371,127.49	\$2,303.78	\$40,550.00	
Interest Finding 1	\$3,768.15	\$33.22	\$372.00	
Subtotal 1	\$374,895.64	\$2,337.00	\$40,922.00	
Payable To:				
Department	\$374,895.64	\$33.22	\$40,922.00	\$415,850.86
FISAP Adjustments		\$2,303.78		\$2,303.78
Total				\$418,154.64

E. Payment Instructions

1. Liabilities Owed to the Department

Liabilities Owed to the Department \$100,000 or More

HCC owes to the Department \$418,154.64. This liability must be paid using an electronic transfer of funds through the Treasury Financial Communications System, which is known as FEDWIRE. HCC must make this transfer within **45 days of the date of this letter**. This repayment through FEDWIRE is made via the Federal Reserve Bank in New York. If HCC's bank does not maintain an account at the Federal Reserve Bank, it must use the services of a correspondent bank when making the payments through FEDWIRE.

Any liability of \$100,000 or more identified through a program review must be repaid to the Department via FEDWIRE. The Department is unable to accept any other method of payment in satisfaction of these liabilities.

Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, the school must first make any required adjustments in COD as required by the applicable finding(s) and Section II – Instructions by Title IV, HEA Program (below), remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 award (if applicable).

Instructions for completing the electronic fund transfer message format are included on the attached FEDWIRE form.

Terms of Payment

As a result of this final determination, the Department has created a receivable for this liability and payment must be received by the Department within **45 days of the date of this letter**. If payment is not received within the 45-day period, interest will accrue in monthly increments from the date of this determination, on the amounts owed to the Department, at the current value of funds rate in effect as established by the Treasury Department, until the date of receipt of the payment. HCC is also responsible for repaying any interest that accrues. If you have any questions regarding interest accruals or payment credits, contact the Department's Accounts Receivable Group at (202) 245-8080 and ask to speak to HCC's account representative.

If full payment cannot be made within **45 days** of the date of this letter, contact the Department's Accounts Receivable Group to apply for a payment plan. Interest charges and other conditions apply. Written request may be sent to:

U.S. Department of Education
OCFO Financial Management Operations
Accounts Receivable Group
550 12th Street, S.W., Room 6114
Washington, DC 20202-4461

If within 45 days of the date of this letter, HCC has neither made payment in accordance with these instructions nor entered into an arrangement to repay the liability under terms satisfactory to the Department, the Department intends to collect the amount due and payable by administrative offset against payments due HCC from the Federal Government. **HCC may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, HCC must **timely appeal** this determination under the procedures described in the "Appeal Procedures" section of the cover letter. The Department will use those procedures to consider any objection to offset. **No separate appeal opportunity will be provided.** If a timely appeal is filed, the Department will defer offset until completion of the appeal, unless the Department determines that offset is necessary as provided at 34 C.F.R. § 30.28. This debt may also be referred to the Department of the Treasury for further action as authorized by the Debt Collection Improvement Act of 1996.

2. Liabilities Owed to the Department in the case of Direct Loans

William D. Ford Federal Direct Loan (Direct Loan) Liabilities:

DL Open Award Year - Payment Instruction

Finding: 1
Appendix: K

HCC must repay the following Direct Loan liabilities:

DL Open Award Year			
Amount (Principal)	Amount (Interest)	DL Program	Award Year
\$1,732.00	\$7.00	Subsidized	2013/2014
\$6,311.00	\$25.00	Unsubsidized	2013/2014
Total Principal	Total Interest		
\$8,043.00	\$32.00		

Open Award Years

The 2013/2014 award year will remain open for adjustments until August 1, 2015. Adjustments in COD must be made by this date. The disbursement record for each student identified in the appendix listed above must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the appendix. A copy of the adjustment to each student's COD record must be sent to Shari Mecca **within 45 days of the date of this letter**.

Direct Loan Closed Award Years (Request Extended Processing)

Finding: 1
 Appendices: H – J

HCC must repay the following Direct Loan liabilities:

DL Closed Award Years			
Amount (Principal)	Amount (Interest)	DL Program	Award Year
\$9,658.00	\$104.00	Subsidized	2012/2013
\$22,849.00	\$236.00	Unsubsidized	2012/2013
Total Principal	Total Interest		
\$32,507.00	\$340.00		

The disbursement record for each student identified in the appendix listed above must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the appendix. A copy of the adjustment to each student's COD record must be sent to Shari Mecca **within 45 days of the date of this letter**.

Adjustments in COD must be completed prior to remitting payment to the Department. Payment cannot be accepted via G5. Once the Department receives payment via FEDWIRE, the Department will apply the principal payment to the applicable G5 award. The interest will be applied to the general program account.

Request Extended Processing

COD adjustments are necessary for the closed award year(s) listed above. Before any student level adjustments can be processed, HCC must immediately request extended processing through the COD Website (<http://cod.ed.gov>).

- Click on the Request Post Deadline/Extended Processing link under the School menu.
- On the request screen, the institution should indicate in their explanation that the request is based on a program review, and provide the program review control number.
- The institution will be notified of the status of the request at the time of submission, and will also be notified by email to the FAA and President when extended processing has been authorized. At that time, the school must transmit student/borrower level adjustments to COD for the closed award year(s).

3. Liabilities Owed to the Department in the case of Title IV Grants

Pell – Closed Award Year

Finding: 1

Appendices: H - K

HCC must repay:

Pell Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$276,642.91	\$3,328.17	Pell Grant	2012/2013
\$94,484.58	\$439.98	Pell Grant	2013/2014
Total Principal	Total Interest		
\$371,127.49	\$3,768.15		

The disbursement record for each student identified in the appendices to the applicable finding must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the appendices. A copy of the adjustment to each student's COD record must be sent to Shari Mecca **within 45 days of the date of this letter**.

Adjustments in COD must be completed prior to remitting payment to the Department. Payment cannot be accepted via G5. Once the Department receives payment via FEDWIRE, the Department will apply the principal payment to the applicable G5 award. The interest will be applied to the general program account.

4. Campus-Based Liabilities and FISAP Corrections

Finding: 1

Appendices: H and K

HCC must repay:

Campus Based			
Amount (Principal)	Amount (Interest)	Title IV Program	Award Year
\$1,350.00	\$28.83	FSEOG	2012/2013
\$ 953.78	\$ 4.39	FSEOG	2013/2014
Total Principal	Total Interest		
\$2,303.78	\$33.22		

HCC must make corrections to its FISAP for award year(s) 2012/2013 and 2013/2014 as follows:

- Log into eCB and make change(s) to the Working Copy, click on Submit and choose "Change Request". Provide the justification for the changes in the comments box, including that the changes are a result of a program review and include the Program Review Control Number (PRCN 201220227806).
- Once the request is approved, submit the changes within 5 days.
- Changes to the FISAP may result in changes to subsequent FISAPS. Contact the eCB Call Center at (877) 801-7168 for assistance in making this determination.
- If the recalculation of the school's funding results in an unprocessed deobligation (negative balance) because the school has drawn down its full authorization, return those funds via G5 in accordance with the automated notification from eCB. If the school has not drawn down its full authorization, the authorization will be reduced.

HCC must submit proof of the FISAP corrections and payment via G5 for any unprocessed deobligation (if applicable) to Shari Mecca **within 45 days of the date of this letter**.